

Dear Pension Member:

New for this year's reporting is a "Summary Annual Report" (or SAR) created by Gabriel Roeder Smith and Company, an independent actuarial firm. The SAR provides a concise financial picture of the pension and a brief description of benefits. However, on January 22, 1998 the Nebraska Supreme Court issued a decision regarding the Fire Union labor dispute that increased Firefighter hourly pay and, therefore, increased the pension's liabilities. To provide an accurate look at the pension's financials, we asked the actuary firm to re-work their report to include the estimated increased Firefighter payroll. This delayed the SAR and our annual mailing to you.

With that said, enclosed is your 1997 pension statement and an estimate of your normal age and service retirement benefits. The statement shows your account's activity and the beneficiary(s) you have chosen. If no beneficiary(s) is listed at your death, your spouse (if any) is automatically your primary beneficiary. The benefit estimate assumes a 3% annual salary increase and a 7% annual return rate on assets. To aid you in financial planning, no-cost benefit estimates for any future separation date are available.

Firefighters, because your back pay has not been finalized your pension estimates will be too low. Your pension base salary, etc., will be changed after your salary figures are finalized. If you need a more accurate pension estimate, please stop by and we will work with you to create one.

The Personnel Department has moved into the new building. Employment and Bill Thoreson are located on first floor. The Personnel Director, Risk Management, and my area - Police and Fire Pension, Classification and Compensation - will be conducting business on the northwest corner of the second floor.

	1997	1996
Active Member Count	571	564
Pensioned Member Count	271	252
Regular Pension Benefits Paid	\$3,167,354	\$2,859,243
COLA Benefits Paid	\$190,722	\$184,606

Last year, to comply with Governmental Accounting Standards Board rules 25 and 27, the pension changed to market value accounting. This will impact the return rate credited to member accounts. Since market values fluctuate, the possibility of posting a negative rate exists. At a minimum, employees should expect **More Variation in Returns** posted to their accounts in the coming years.

As part of asset management we have recognized, and anticipated, the "Baby Boomer" generation's impact on interest rates and corporate earnings rates. Boomers have birth dates from 1946 to 1964. Boomers are at the helm of our nation, making up 52% of the workforce. Below are graphs of the City of Lincoln's commissioned Fire and Police "Generations."

Fire

Police

The graphs show a significant member population as "Boomers." According to the Employee Benefit Research Institute, only 25% of boomers are saving for retirement outside their employer's pension. A San Diego Police Detective with 25 years of service was interviewed for a recent Workforce magazine article. He stated that he "wasn't given enough information or encouragement" about the savings tools offered by his employer. The City of Lincoln offers this pension plan, deferred compensation, U.S. Savings Bonds, Credit Union, and the American Funds Group of mutual funds. We encourage you to take advantage of these payroll deduction programs to implement your savings plan.

I wish all of you, and your families, the best in 1998. Please call me (441-7879), or my assistant Paul Lutomski (441-8749), for more information on any of the topics mentioned in this letter.

Respectfully,

John E. Cripe
Compensation Manager